



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 17, 2008

S. 2617

Veterans' Compensation Cost-of-Living Adjustment Act of 2008

As ordered reported by the Senate Committee on Veterans' Affairs on June 26, 2008

S. 2617 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same cost-of-living adjustment (COLA) payable to Social Security recipients. The increase would take effect on December 1, 2008, and the results of the adjustment would be rounded to the next lower dollar. S. 2617 also would codify the rates of disability compensation as adjusted by the 2007 COLA.

The COLA that would be authorized by this bill is assumed in CBO's baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act, and savings from rounding it down were achieved by the Balanced Budget Act of 1997 (Public Law 105-33) and extended to 2013 by the Veterans Benefits Act of 2003 (Public Law 108-183).

Because the COLA is assumed in CBO's baseline, the COLA provision would have no budgetary effect relative to that baseline. The additional costs assumed in the baseline are \$857 million in 2009 and about \$1.1 billion in subsequent years. This estimate assumes that the COLA effective on December 1, 2008, will be 2.8 percent.

The Social Security COLA, which would apply to the veterans' benefits, is based on the increase in the consumer price index for urban wage earners and clerical workers (CPI-W) from the third-quarter of one calendar year to the third-quarter of the next year. Through June 2008, the CPI-W had increased by 5.6 percent from its level in June 2007. It is therefore very likely that the veterans' COLA would be substantially greater than 2.8 percent and that CBO will revise its baseline projection upward to reflect a higher COLA.

S. 2617 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On May 12, 2008, CBO transmitted a cost estimate for H.R. 5826, the Veterans' Compensation Cost-of-Living Adjustment Act of 2008, as ordered reported by the House Committee on Veterans' Affairs on April 30, 2008. The estimated costs of the two bills are identical.

The CBO staff contact for this estimate is Dwayne M. Wright. This estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.